

7/26

LIQUOR CONTROL BOARD
INTEROFFICE CORRESPONDENCE

City: Olympia

Date: July 25, 1988

cc: Mr. Pedersen
Mr. Hannah
Ms. O'Connor
Bob Harvey
Lowell Hanson
Dick Foltz

To: Carter Mitchell, Public Information
Officer

From: James E. Hoing, Controller *J.E.H.*

Subject: Selected Data

This is in response to your memorandum of July 14, 1988, for information concerning certain selected data as follows:

1. What Quantity of Beer/Malt Beverage Has the Board Sold?

<u>Fiscal Year</u>	<u>Gallons Sold</u>	<u>% Total Beer Sales In State</u>
1979	372,997	.39
1980	445,359	.45
1981	527,540	.52
1982	621,064	.60
1983	355,678	.35
1984	230,985	.25
1985	186,269	.20
1986	172,891	.18
1987	186,311	.19
1988	203,133	*

*Not yet available

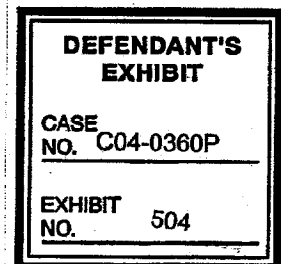
2. Revenues Generated by Such Sales?

\$378,936 gross profit and \$70,125 in sales taxes collected in fiscal year 1987 (1988 data not yet available).

3. What Quantity of Wine Has the Board Sold?

<u>Fiscal Year</u>	<u>Gallons Sold</u>	<u>% Total Wine Sales In State</u>
1979	2,041,981	17.80
1980	2,286,153	18.47
1981	2,488,901	18.20
1982	2,554,598	18.42
1983	2,233,979	16.22

Resp to Costco RFP
7821



<u>Fiscal Year</u>	<u>Gallons Sold</u>	<u>% Total Wine Sales In State</u>
1984	2,010,071	14.03
1985	1,795,847	11.28
1986	1,662,259	9.87
1987	1,802,967	10.66
1988	1,786,849	*

*Not yet available

4. Revenue Generated by Such Sales?

\$5,695,725 gross profit, \$1,484,498 wine excise tax, and \$1,428,815 in sales taxes collected in fiscal year 1987 (1988 data not yet available).

5. Is it Profitable for the Board to be in the Beer and Wine Business?

When you get into the question of how much net profit is realized on beer and wine sales, you, of necessity, get into the discussion of how the operating costs of the Board should be allocated to product lines. There are a number of different ways and each will result in a different profit for individual lines while, of course, the profit for all lines will remain the same.

Quoting from Special Report No. 83-3 of the Legislative Budget Committee dated August 1983 in the conclusion section, "The analysis shows that cost allocation techniques and amount of cost charged to wine and strong beer is unimportant. The prime consideration is what amount of cost can be eliminated if the state no longer sold the products."

Our analysis for fiscal 1987 shows that \$2,046,071 of Merchandising and Administrative expenses could be discontinued if the Board went out of the beer and wine business, which translates into a net operating loss of \$4,028,590.

Gross Profit	\$6,074,661
Expenses That Could be Discontinued	<u>2,046,071</u>
Net Loss in Revenue	\$4,028,590

JEH/vg

Resp to Costco RFP
7822